

# The Meridian Median

## ***This Month's News***

*GM CEO Dan Akerson updates the Detroit Economic Club on company status, goals*

General Motors is on a long road to recovery and at a recent meeting of the Detroit Economic Club, GM CEO Dan Akerson said as a company they are making decisions intended to create positive results well into the future.

“In order to create the cash flow where we can really invest and really differentiate ourselves in five to ten years, we’re not managing for this year, we’re managing (the company) for the next 25 to 50 years,” he said.

Following the ideas he witnessed by former IBM CEO Lou Gerstner, GM’s primary concern is now quality products, happy customers.

And the product, he said, is top notch.

“We are producing great cars today, qualitatively they are wonderful,” he said.

He said Chevrolet is one of the top five brands in America, with GM having sold more of the brand through the first ten months of this year than in the history of the company.

“So, globally it’s a viable, strong brand and we’re *continued on page 2*”



*To My Clients:  
A Message from  
Jim*

I hope everyone had a great thanksgiving and is enjoying our mild weather. As nice as that has been unfortunately the stock markets continue to demonstrate high volatility on almost a daily basis. At one point during the month of November, the S&P 500 index was down 7.5% but after a strong rally in the last three days finished off only 1%. If you track the performance over the last three months, after the initial drop in August, the market averages have been flat over the period. Extreme volatility but generally limited price movement. The pattern is similar for the other averages over the three month period.

Year to date the broad indexes of the S&P 500 and NASDAQ have fallen about 1%. The small cap Russell 2000 is down 4.8% and the Dow Jones 30 has risen 6.7%. Obviously it has been better to be in the largest stocks versus the smaller ones. International indices have been the hardest hit as the European stock index, in U.S. dollar terms, is down 11.5% and the Far East Index is off 17.8%. Also it was better to be in the US and not foreign markets. Our Merid *continued on page 2, 2nd col.*

## **Money beats: Year to Date Performance Percentages**

### **Domestic Indexes**

<i>Dow Jones Industrial Average PR</i>	6.7
<i>NASDAQ Composite</i>	-1.2
<i>Russell 2000</i>	-4.8
<i>Standard &amp; Poor's 500</i>	-0.9

### **Foreign Indexes**

<i>MSCI AC Far East ex Japan ID</i>	-17.8
<i>MSCI EAFE NDTR_D</i>	-11.3

### **Bond Indexes**

<i>Lehman Brothers Aggregate Bond</i>	6.6
<i>Lehman Brothers Mortgage-Backed Bond</i>	5.5

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going to try to make Cadillac our dual global brand, our premium brand,” he said.

While the company has made considerable progress in the past three years, he said GM is definitely not out of the woods.

“There are real clouds on the horizon in the form of both macroeconomic and microeconomic drivers,” he said. He mentioned issues such as sovereign debt and a low presence in the European market.

Akerson said that since arriving at the company, GM has developed a “risk function” for itself. Risk function refers to a statistical theory that is intended to determine the risk and reward of particular business decisions.

“That’s pretty critical in this day and age of how management and the board functions, and the recognition of risk and the management of risk,” he said.

He said the company wants to be a leader of future cars, whether they run on electricity, hydrogen fuel cells or another propulsion system that would alter or replace the traditional fuel-dependent internal combustion engine.

“And that’s going to take a lot of time and effort and money, but we’re going to fundamentally change the way the propulsion of the car is,” he said.

Akerson said that while GM is a great company in terms of intellectual property, it has not been as aggressive in leveraging its incredible talent and its intellectual property and plans to focus more on that in the future.

Last year two ex GM employees were charged for allegedly selling intellectual property related to hybrid vehicles to a company in China.

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ian accounts were off about 1% for the month in line with the S&P.

The bond market fell slightly during the month in line with other asset classes. The Barclays Bond Index is up 6.6% for the year, mainly a reflection of the appreciation in U.S. government securities. As of the date of the letter interest rates were beginning to rise slightly for U.S. government bonds. If the European financial crisis is resolved or at least a manageable plan is proposed, rates should continue to rise in the U.S. as money moves back to Europe. The strategy here is to focus more on corporate and high yield debt that will see only limited impact of this movement. The Fed continues to be the wild card here and may buy securities to maintain relatively low rates. This will depend on whether the economy is growing or slowing. It is very difficult for them to control rates for long periods of time.

This brings us back to the primary focus, the economy. Regardless of the up and down movements in the market, reflecting the latest rumor from Europe, the only thing that matters to security valuations going forward is economic growth and the impact on corporate earnings. Policy changes in Washington will have limited impact as well as Federal Reserve money expansion due to the lag effect that these policy decisions have on the economy. This may impact 2013 but 2012 will be left to a resolution of the European crisis and the growth in corporate earnings going forward. I remain optimistic that 2012 will see a rebound in prices, in the neighborhood of 8%-10% from current levels, in line with corporate earnings growth. This would bring us to an S&P 500 index level of about 1350 by the middle of next year. Unless the situation in Europe deteriorates we should see a decent year for stock price appreciation.

The strategy is to remain fully invested for retirement accounts and to buy on the dips and sell into appreciation over the next six months for stock accounts. Our income strategy continues to be balanced to take advantage of higher yields in the corporate bond and preferred stock markets, with a minimal exposure to U.S. government securities. This should provide solid returns while reducing volatility in this current market environment. The objective is to preserve capital until future opportunities present themselves.

**If you have any questions or would like to discuss your personal financial situation please call me at 231-237-9715 or email at [jamescar@meridian-advisory.com](mailto:jamescar@meridian-advisory.com).**